

United States General Accounting Office

GAO

Report to the Honorable
Charles E. Grassley, U.S. Senate

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August 1993

DOD BUDGET

Future Years Defense Program Needs Details Based on Comprehensive Review



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-235812

August 20, 1993

The Honorable Charles E. Grassley
United States Senate

Dear Senator Grassley:

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This letter is in response to your request that we (1) assess the Department of Defense's (DOD) Future Years Defense Program (FYDP) for fiscal year 1994 in light of statutory and other requirements and (2) examine the major planning assumptions underlying the FYDP. In addition, we obtained information on the process DOD is using to develop the fiscal year 1995 FYDP.

You also requested that we evaluate the findings and recommendations of a study entitled "FY 1994-99 Future Years Defense Program," prepared by the Defense Science Board Task Force, referred to as the Odeen Panel.¹ We plan to issue a separate report on the Odeen Panel study when we have completed our review.

Background

Under 10 U.S.C. 221, "The Secretary of Defense shall submit to Congress each year, at or about the same time that the President's budget is submitted . . . a future-years defense program . . . reflecting the estimated expenditures and proposed appropriations included in that budget." The provision requires consistency between the amounts reported in the FYDP and total amounts shown in the budget submission.

DOD describes the FYDP as the official document that summarizes the forces and resources associated with programs approved by the Secretary of Defense. As such, it is DOD's financial plan, used as a basis for internal DOD program review and used by Congress in reviewing budget requests and enacting appropriations. The annual FYDP presents estimated expenditures and anticipated appropriations needs for the budget year for which funds are being requested, the 5 years following the budget year, and the 2 years preceding the budget year.²

¹The task force was chartered by the Secretary of Defense in February 1993 to provide an independent assessment of DOD's management and financial plans. It issued an initial report on May 3, 1993, covering Defense Management Report Decisions, weapon systems, environmental cost issues, and the procurement "bow-wave." It plans to issue a second report covering the adequacy of operations and maintenance funding in the FYDP to support planned defense forces and weapons programs and the adequacy of funding for defense health care.

²The FYDP is to include force data for 7 years subsequent to the budget year.

The fiscal year 1994 President's Budget was submitted to Congress on April 8, 1993. The Secretary of Defense submitted a document DOD calls the fiscal year 1994 FYDP to Congress about 6 weeks later, on May 18, 1993.

Results in Brief

Unlike prior-year FYDPs, the document DOD calls its fiscal year 1994 FYDP contains only target defense budget totals for the outyears; it does not provide detailed program data. It is clear from the legislative history of 10 U.S.C. 221 that Congress expected DOD to provide more detailed program data for the outyears than is provided in the fiscal year 1994 FYDP. DOD guidance also calls for detailed program data to be presented in the FYDP.

Because this FYDP contains target defense budget totals without programmatic detail, there are no planning assumptions to evaluate. In past reviews of the FYDP and other defense activities, we evaluated planning assumptions for such factors as management savings and the adequacy of funding for major weapons programs through analysis of programmatic detail.

DOD officials told us they did not include detailed outyear data in the fiscal year 1994 FYDP because the data available at the time were outdated. They said that because the new administration is in the midst of a reevaluation of the U.S. defense posture, termed the Bottom-up Review, it has yet to develop its long-range defense spending plans. DOD expects to use the results of the Bottom-up Review in developing its fiscal year 1995 budget and FYDP.

DOD officials involved in developing the FYDP were uncertain whether the process DOD plans to use for fiscal year 1995 will result in as thorough a review of defense plans as in the past. In the first place, the time allotted for reviewing the FYDP will be compressed compared with prior-year FYDPs. In addition, the Office of the Secretary of Defense (OSD) plans to review only the major program issues contained in the services' program plans, whereas it previously has reviewed all programs. In the absence of a detailed review of service programs in preparing next year's FYDP, defense planning may become further detached from the annual appropriations process.

Congress Has Called for Detailed Outyear Data in the FYDP

The information submitted in the fiscal year 1994 FYDP for the 5 years following the budget year, fiscal years 1995 to 1999, does not constitute the type of information contemplated by Congress or required by DOD's internal guidance. The conference report on the National Defense Authorization Act for Fiscal Years 1988 and 1989 states that the provision governing the FYDP is intended to require DOD to show in detail how its plans for the outyears of the 5-year period presented in the FYDP would be affected by enactment of the aggregate obligational authority for the years set forth in the President's Budget. The conferees expected that the FYDP submissions would be at the same level of detail as prepared in connection with the 1988 and 1989 budget submissions, together with associated annexes on the construction, procurement, and research, development, test, and evaluation accounts. The fiscal year 1994 FYDP does not present the level of detail contemplated in the conference report.

Prior-Year FYDPs Contained More Detailed Information

The fiscal year 1994 FYDP contains only a portion of the information provided in past FYDPs since 1963. Prior-year FYDPs provided Congress with detailed outyear program information to evaluate the Department's planning for its programs and force levels. The FYDPs presented financial and manpower summaries, appropriations breakouts by DOD components and by budget titles, tables showing numbers of weapons by force categories, and other detailed program data. Budget annexes showed weapon system planning in great detail for each service and for each appropriation account and budget activity. This information was displayed for the 2 years prior to the budget year, the budget year, and the 5 years subsequent to the budget year.

In contrast, the fiscal year 1994 FYDP does not provide detailed information on programs for the 5-year period following the budget year. The FYDP presents detailed data for fiscal year 1994 and the 2 previous years, but the only data provided for fiscal years 1995 to 1999 is the total DOD budget target for each year. These targets, according to DOD officials, were agreed to by the President, the Secretary of Defense, and the Director of the Office of Management and Budget.

DOD Did Not Follow Its FYDP Guidance

DOD did not follow its own guidance in presenting the fiscal year 1994 FYDP. DOD's handbook, FYDP Program Structure, DOD 7045.7-H, issued in April 1992 under the authority of DOD Instruction 7045.7, "Implementation of the Planning, Programming, and Budgeting System (PPBS)," states that the FYDP is designed to provide a comprehensive approach for accounting

for, estimating, identifying, and allocating resources to programs. For each program, the FYDP is to describe the financial and manpower data associated with a division, brigade, company, ship, aircraft squadron, or central support activity. The fiscal year 1994 FYDP lacks the detail described in the handbook for fiscal years 1995 through 1999.

Bottom-up Review of U.S. Defense Posture Will Precede the Fiscal Year 1995 Budget and FYDP

DOD officials said that they did not follow the handbook in preparing the fiscal year 1994 FYDP because they did not want to use the previous administration's numbers, which were the only numbers available at the time. The officials said these numbers were obsolete and, if included, would have misled Congress.

It has been 3 years since Congress was provided a FYDP based on a detailed review of the defense program. The FYDP for fiscal years 1994 through 1997 was based on 1991 information. DOD subsequently updated this information when presenting the amended fiscal year 1993 budget request and FYDP. The Department has submitted its fiscal year 1994 budget; however, because of anticipated programmatic changes, DOD believes that the FYDP data base is outdated.

DOD is currently conducting a Bottom-up Review of its major programs and force structure. The Bottom-up Review began in March 1993 and is scheduled for completion in September 1993 with the issuance of defense planning guidance to the services for use in developing their fiscal year 1995 budgets. The results of the review also will be used to develop the fiscal year 1995 FYDP.

DOD Process for Developing the Fiscal Year 1995 FYDP Differs From Past Practice

DOD officials involved in formulating the fiscal year 1995 FYDP were uncertain whether the process the Department is using to develop the FYDP will result in as detailed a program review as in the past. OSD will have much less time to review service program plans because of the timing of the Bottom-up Review. Also, OSD plans to review fewer program issues than in the past. OSD will focus on the major issues in the services' program plans, leaving smaller issues to the services. We believe a comprehensive review is critical to ensuring that long-range defense planning and the annual appropriations process do not further diverge.

Time Frame for Reviewing Service Program Plans Will Be Compressed

The time allotted for reviewing the fiscal year 1995 FYDP is 4 months (September to early December), significantly less time than has been spent on past FYDPs. DOD, for instance, allotted 7 months (May through

December) for the fiscal year 1993 FYDP. For that year's FYDP, the services were required to submit their program plans to OSD by May; OSD reviewed these plans and made decisions on them by August; the services considered OSD's decisions and prepared their budget requests by October; and OSD conducted final program reviews and prepared the DOD portion of the President's Budget by December. For the new FYDP, the services are to use the defense planning guidance to develop their program plans in September. OSD will need to complete its review in December in order for the fiscal year 1995 President's Budget to be submitted in February 1994.

OSD to Review Only Major Program Issues

According to DOD officials, their review of the services' program plans for the fiscal year 1995 FYDP will likely be less detailed than prior reviews. Previously, OSD officials conducted detailed reviews of the more than 3,500 programs in the services' plans and made many adjustments and trade-offs. We were told that OSD will probably address fewer, but larger, program issues in developing the fiscal year 1995 budget and FYDP, giving more discretion to the military departments on the smaller issues.

Conclusions

Preparation of the fiscal year 1995 FYDP, which is to be submitted with the President's Budget next year, represents the first opportunity to provide Congress a FYDP based on a comprehensive review of the defense program since completion of the fiscal year 1992 FYDP. Each successive year for which there is no FYDP based on such a comprehensive review further detaches defense planning from the annual appropriations process. Therefore, it is particularly important that DOD prepare a complete FYDP for submission with the President's Budget for fiscal year 1995 based on a comprehensive review of the defense program.

Scope and Methodology

To determine whether the fiscal year 1994 FYDP complied with statutory requirements, we examined applicable laws, regulations, and instructions. We compared the FYDP with past FYDPs for selected prior years and with DOD guidance on preparation of the FYDP. We discussed DOD's process for developing the fiscal year 1995 FYDP with officials of the Office of the Comptroller.

We conducted our work from March to July 1993 in accordance with generally accepted government auditing standards. As requested, we did not obtain fully coordinated DOD comments on this report. However, we

discussed the results of our review with DOD Comptroller officials and have included their views as appropriate.

We are sending copies of this report to the Secretary of Defense, selected congressional committees, and other interested parties. We will also make copies available to others on request.

Please contact me at (202) 512-3504 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix I.

Sincerely yours,

A handwritten signature in cursive script that reads "Richard Davis".

Richard Davis
Director, National Security
Analysis

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